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CITY OF LOS ANGELES
MANAGEMENT AUDIT
of the
GREATER LOS ANGELES
VISITORS AND CONVENTION BUREAU

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KEITH COMRIE
CITY ADMINISTRATIVE OFFICER



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ASSISTANT
CITY ADMINISTRATIVE OFFICERS

The Honorable Council of the
City of Los Angeles

The Honorable Tom Bradley
Mayor of the City of Los Angeles

Executive Committee, Greater Los Angeles
Visitors and Convention Bureau

Transmitted herewith is the Report on the Management Audit of the Greater Los Angeles Visitors and Convention Bureau. The Audit was initiated at the instruction of the City Council pursuant to a recommendation of our October 1979 audit of the Municipal Auditorium Department (Convention Center).


The Executive Committee, Greater Los Angeles Visitors and Convention Bureau is requested to submit a report within four months detailing progress achieved in implementing recommendations of this Audit. My Office will then prepare an evaluation report, if warranted, for further review by the Mayor and Council.

The Management Audit of the Greater Los Angeles Visitors and Convention Bureau was supervised under my direction by John Coombs, Assistant City Administrative Officer, and Al M. Beuerlein, Chief Administrative Analyst. Members of the Audit Team were Robert J. Arata, C. Edward Corser, and Lambertus H. Becker.

K. Comrie

Keith Comrie
City Administrative Officer

KC:AMB:jmc



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INTRODUCTION

In February 1980, the City Council instructed this Office to perform a management audit of the Greater Los Angeles Visitors and Convention Bureau. This report conveys the results of the audit, the first such audit of the Bureau by the City.

The Greater Los Angeles Visitors and Convention Bureau is a cooperative agency, representing nearly 700 business concerns in the Los Angeles/Southern California area. It is a non-profit corporation, operating since January 1978 as a consolidated successor agency to the former Los Angeles Convention and Visitors Bureau and the Southern California Visitors Council. Its purpose is to publicize and promote the area as an attractive destination for visitors, through media advertising and extensive personal contact with travel promoters and convention planners.

Eighty (80) percent of the Bureau's operating revenue is provided by the City from the Transient Occupancy Tax. Annual dues payments from the business concerns which comprise the Bureau's membership account for most of the remainder.

GLAVCB Revenue

| <u>Fiscal Year</u> | <u>City Contribution</u> | <u>Membership Dues & Misc.</u> | <u>Total</u> |
|--------------------|------------------------------|--|----------------|
| 1977-78 | \$ 875,000 | \$ 542,379* | \$1,417,379 |
| 1978-79 | 1,550,000 | 452,351 | 2,002,351 |
| 1979-80 | 2,051,000 | 369,270 | 2,420,270 |
| 1980-81 | 2,400,000 est. | 638,280 est. | 3,038,280 est. |

*Includes cash contribution from Los Angeles County (\$150,512), which was discontinued after Fiscal 1977-78.

City financial support to the Bureau was increased substantially in Fiscal 1978-79, when the Mayor and Council agreed by ordinance to increase the total Transient Occupancy Tax from 6% to 7.5% and set aside 1% of the amount for Bureau promotional purposes. Subsequent allocations have been tied to

the City's Occupancy Tax receipts, which have grown with inflation and higher hotel/motel occupancy rates.

The Mayor and Council have periodically inquired regarding the effectiveness of Bureau promotional programs resulting from the expanded budget. This audit stems from our October 1979 management audit of the Municipal Auditorium Department, which recommended a survey of Bureau activities "in view of the City's substantial financial interest".

The Bureau is headed by a Board of Directors and an Executive Committee comprised of business executives from among the Bureau's membership. The organization is administered by an Executive Vice President, selected for his experience and expertise in managing convention and visitor marketing operations. The staff is organized as indicated on the accompanying chart and totals 43 positions.

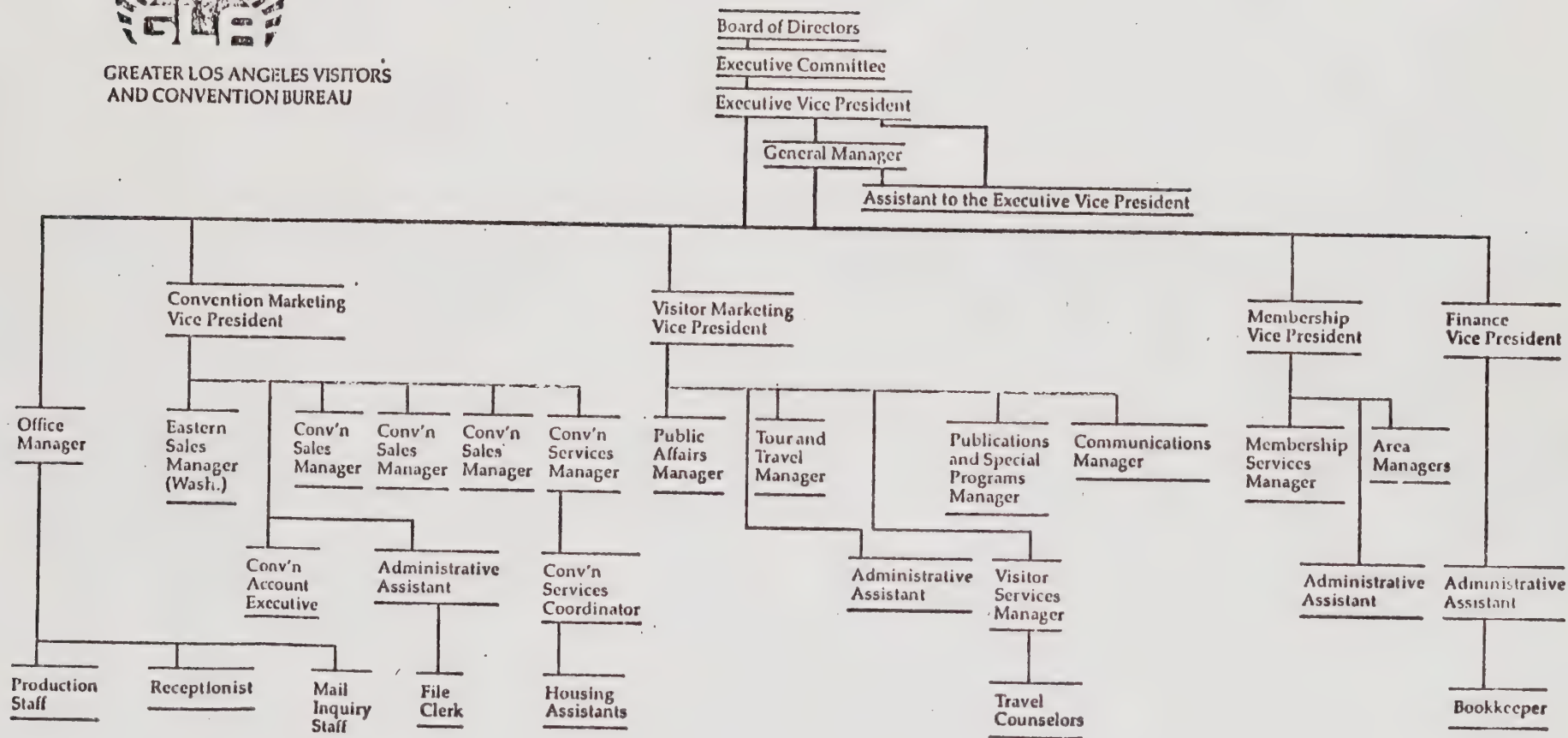
The narrative of the report is primarily descriptive and is designed to acquaint the reader with the activities of the Bureau, rather than focus on a series of issues. The major issue of the audit, the overly complex contract between the City and the Bureau, has been addressed separately by the Bureau, the Municipal Auditorium Department and this Office.

In the course of our review, Bureau supervisors and most of the staff were interviewed along with officers of the corporation. The audit staff received the utmost cooperation and assistance from all Bureau personnel involved, and we wish to express our appreciation for the courtesy we received.



GREATER LOS ANGELES VISITORS
AND CONVENTION BUREAU

Organization Chart



SUMMARY AND RECOMMENDATIONS

Summary

The Greater Los Angeles Visitors and Convention Bureau provides publicity and promotional services for the City under written agreement, financed primarily from the Transient Occupancy Tax set aside in a trust fund limited to expenditures "solely to finance the promotion and advertising of the City for the purpose of attracting conventions, trade shows and tourism". (LAAC Sec. 5.315). Based on our largely subjective evaluation (in the absence of specific performance evaluation criteria), and comparative information gathered from other major city bureaus, we believe the City's funds provided to the Bureau are being well spent. The Bureau staff is enthusiastic and professional. The promotional programs are well planned and successful when gauged by the increased visitor and convention activity in Los Angeles. More specific measures of program effectiveness however, would be helpful in providing a focus for evaluation by the Mayor, Council and management of the Bureau. Notwithstanding the apparent effectiveness of the Bureau's efforts, the relationship between the Bureau and the Municipal Auditorium Department can be significantly improved by directing attention to two areas of concern - the written agreement between the City and the Bureau, and booking policy for the Convention Center.

The Bureau is not a governmental agency. It functions in a unique business environment that has its primary purpose the promotion or selling, of a product - the City of Los Angeles. This promotion, of necessity, takes place in a dynamic, highly competitive market-place in the United States and throughout the free world. The tourism/convention "industry", if it may be so characterized, has developed its own standards, practices and traditions - and they are markedly different from those of a governmental agency. To this point in the relationship with the Bureau, City management appears not to have recognized this distinction. Nowhere has the lack of recognition been more apparent than in the written agreement, which is so overly complex it has caused confusion and unnecessary disagreements. Our experience to date under such an agreement tells us that this approach is unreasonable, unrealistic and in need of revision. The major concurrent effort of the Audit Team throughout the

audit has been the separate development of a proposed 1980-83 agreement which facilitates, rather than hinders, the common objective of promoting Los Angeles, while retaining reasonable oversight for the City through a structured budget approval/audit process.

Booking policy at the Convention Center has been an issue of controversy which must be resolved, especially in light of heightened interest in expanding the facility. A recommendation for a written booking policy was made in our October 1979 audit of the Municipal Auditorium Department, and is repeated in this report.

Recommendations

1. That Bureau management, in cooperation with the General Manager, Municipal Auditorium Department, proceed expeditiously to complete a draft booking policy for the Los Angeles Convention and Exhibition Center which takes into account the need for a balanced mix of events, considering overall revenue to the City, economic stimulus to local business and other pertinent factors.
2. That Bureau management strongly consider either relocation of the Visitor Information Center in the Arco Plaza, or establishment of a new visitor information center at ground level in a downtown location more convenient to visitors.
3. That Bureau management amend the Bureau's annual Budget preparation schedule to assure submission of the Bureau's proposed budget to the General Manager Municipal Auditorium Department a full sixty (60) days in advance of Finance and Revenue Committee hearings on the City budget.
4. That the Executive Committee of the Board of Directors of the Bureau instruct the staff to develop and implement appropriate measures by which the effectiveness of promotional programs can be more specifically evaluated.

FINDINGS

1. Trust Fund and City Agreement

The City provides financial support for the Bureau through the Greater Los Angeles Visitors and Convention Bureau Trust Fund, established in accordance with Section 5.315 of the Los Angeles Administrative Code. The Code provides that two-fifteenths of the total amount of Transient Occupancy Taxes received by the City shall be placed in the Fund, and that the Bureau "shall have the exclusive right to make expenditures from the fund pursuant to written contract with the City". The forecasted revenues for the Trust Fund for 1980-81 total \$2.4 million, and the Mayor and City Council have approved that amount in the City Budget. The City and the GLAVCB are currently negotiating the contractual agreement for 1980-81.

Generally, the agreement, which was first drafted for the 1977-78 fiscal year, specifies 14 promotional activities to be performed by the Bureau in return for which the Bureau is to receive four quarterly payments of equal amount, each payment representing 25 percent of the total approved for the fiscal year.

Three years of experience under the present agreement indicate a clear need for specific revision if the City and the Bureau are to continue to realize the common objective of enhancing the Los Angeles business economy by attracting optimum numbers of visitors to the City. Based on our review in the context of this effort and our 1979 Management Audit of the Municipal Auditorium Department, we are convinced the agreement does not facilitate a mutually cooperative effort to achieve this common objective, but has, in fact, been a continuing source of irritation and frustration between the Bureau and the City. Difficulties with the agreement appear to have influenced the staff working relationships, which are so vital to a successful effort in the extremely competitive tourism/convention marketing arena, in a less than positive manner. Even though the Bureau and Department marketing staffs operate independently, for the most part, both have been successful in their own right.

The apparent intent of the original agreement was to provide the City with a detailed control instrument which would positively assure that all public funds made available to the Bureau were expended in complete accordance with a previously approved "line-item" budget. In retrospect, it appears this

approach was unreasonable. It fails to recognize the "personal services" nature of the agreement, i.e., the Bureau, as Contractor, is to provide expert promotional services in behalf of the City. Marketing a product, in this instance the City of Los Angeles, is indeed a specialized endeavor requiring knowledge and experience beyond that available in the public sector. The agreement seemingly equates the relationship with that of other "general city purposes" contracts and imposes many internal City requirements upon the Bureau which are not compatible with the operating conditions in a non-government setting. The Bureau has, in fact, failed to comply with a number of the detailed requirements contained in the present agreement and such non-compliance has been a continuing issue. The following problems are illustrative of the kinds of difficulties regularly encountered:

- *Budgetary control on the basis of "line-items" and the necessity to obtain City approval for any budget revision arising from differences between budgeted line-item amounts and actual costs.

- *"General City Purposes" (GCP) standard contract requirement to maintain completely separate accounting for public and private funds. A less complex system will provide adequate control.

- *Inconsistent auditing of expenditures resulting in long after the fact notification of disallowed claims against City funds.

- *Cash flow problems resulting in disruption of operations and necessitating special loan arrangements. The new contract will correct this area.

- *City pre-approvals required for all advertising and promotional materials. The new contract will also correct this area.

Under the terms of the existing agreement, it is a most unlikely prospect that the City and the Bureau will be able to function as a true "partnership" in promoting Los Angeles. Instead, the present near-adversary relationship, which is lacking in mutual trust and confidence, may be expected to continue. What is needed is a revised agreement which recognizes that the Bureau is performing a personal service for the City and its business community, and which provides reasonable assurances and oversight (audit) capability to the City. Our contact with other major cities in the context of this review indicates that most agreements covering this relationship are very brief and quite general in wording.

This Office has been assisting the General Manager, Municipal Auditorium Department, and the Executive Vice President of the GLAVCB in developing a revised agreement for the 1980-83 period which will provide a basis for an improved relationship in the future. This agreement may be acted upon by the Mayor and Council before this report is released.

2. Convention and Exhibition Center Booking Policy

The City's Convention and Exhibition Center represents to the Bureau an important site for booking major conventions and trade shows. The Bureau staff however, has been concerned that booking policy at the Center gives preference to local consumer shows at the expense of conventions, particularly during the Spring months.

Consumer shows, like the annual Boat Show and Auto Show, attract local populace and are a source of stable repeat business generating considerable hall rental, parking and food concession revenue for the Center. Conventions and trade shows, on the other hand, attract numerous out-of-town participants who provide substantial business activity for the local hotel, restaurant and retail merchandising industries, as well as sales and bed-tax revenue for the City.

Our October 1979 audit of the Municipal Auditorium Department noted the importance of establishing a booking policy which takes into account the need for a balanced mix of events considering not only direct revenue to the Center but also potential economic stimulus to local business and tax revenue to the City. Pursuant to our recommendation, the Mayor and Council instructed the General Manager, Municipal Auditorium Department in cooperation with the Visitors and Convention Bureau, to prepare a draft booking policy for the facility by May 1980. The Convention Center Manager has advised that a draft policy has yet to be completed, due in part to out-of-town business commitments of his own and those of the Bureau's Executive Vice President.

The resolution of differences over Center booking policy remains an important issue, especially as interim expansion efforts proceed and serious discussion continues over potential permanent expansion of the facility. The conflict is an obstacle to cooperation between Center and Bureau marketing staff, which must be overcome in the mutual interest of all parties and particularly if an expanded facility is to be fully utilized. (See Recommendation No. 1).

3a. Visitor Marketing

The Visitor Marketing Division promotes Los Angeles as a destination for individual and group travel. The Division has a staff of eleven (11) and a direct budget for FY 1980-81 of \$455,020. In addition, an estimated 80 percent of the Bureau's advertising and promotion budget is directed toward visitor marketing.

Bureau Committees

Division programs are formulated with the assistance of committees, comprised of representatives from the Bureau's membership with direct experience in marketing, research and public relations. They participate in the selection of professional service contractors, and counsel Bureau staff in the development of major marketing campaigns.

Research

The Bureau contracts for research on visitor travel to Los Angeles, providing a base from which to target marketing campaigns for maximum impact. Information is collected on visitors' duration of stay, accommodations and transportation, points of interest visited and personal demographics.

Sales Travel

Emphasis is given to direct sales "blitzes" aimed at travel package wholesalers in major U.S. cities and in foreign countries. Itineraries and contacts with travel promoters abroad are coordinated with the United States Travel Service (USTS), of the Federal Commerce Department, which provides technical assistance to local tourism agencies. Receptions, press conferences and promotional seminars are planned for travel agencies and tour operators at each stop. A sample itinerary from the Bureau's most recent sales blitz to the Orient is attached as Exhibit 1. Follow-up contacts are maintained to encourage the inclusion of Los Angeles as a destination/stopover in new travel packages. The Bureau's 1980-81 budget includes \$85,000 for blitzes to several East Coast cities, Mexico and Canada.

A separate budget item of \$10,100 is provided for staff participation at conferences attended by travel promoters and journalists, where direct contacts may generate additional visitor volume.

Local Promotion

The Bureau's FY 1980-81 budget includes \$23,500 for local promotion by the Division staff, hosting tour promoters and travel writers to familiarize them with the offerings of Los Angeles as a travel destination. The objective is to provide follow-up support in selling contacts made by the staff on marketing trips nationwide and abroad.

Major Local Conference Hosting

The Pacific Area Travel Association (PATA) and the Discover America Travel Organization (DATO) are two major groups of travel promoters which plan to meet in Los Angeles during FY 1980-81. Each group will have at least 2,000 participants in attendance, comprising an important source of marketing contacts for the Bureau staff. The Bureau has budgeted \$137,000 for welcome receptions, registration, promotional materials and facility rental associated with hosting of these events, considered significant to the Bureau's overall marketing program.

Advertising

Another major factor in the Division's marketing strategy is advertising. Media plans are developed by the Bureau's advertising agency, with input from Bureau member representatives active in private sector marketing programs. Campaigns are targeted at potential visitors, travel agents and wholesalers promoting year-round travel to Los Angeles. Advertising is placed with consumer travel and trade publications, and major city newspapers.

Public Relations

Public relations is handled by contract to promote Los Angeles as a prime visitor destination and create a local awareness of the economic importance of the convention and visitor industry. Recently, promotional appearances were made nationally by entertainment personality Altovise Davis and future bookings are planned for her to appear on several television "talk-shows". The agency also conducts a specialized campaign to motivate black travelers to visit Los Angeles. Radio network and

news release promotional efforts are directed at the black community in major metropolitan areas.

Local Information Services

The Division maintains a local information center in the Arco Plaza downtown and in the Broadway Department Store in Hollywood, providing brochures, travel and sightseeing assistance to visitors from out-of-town. A third center is planned to be placed in operation at the Los Angeles International Airport during 1980-81. A "welcome line" taped telephone message is produced regularly to keep callers informed of local activities and special events.

Visitor Marketing Evaluation

Evaluation of visitor marketing is of necessity, highly subjective. The Division's major activities involve personal contact with travel promoters and extensive media advertising, the results of which are not directly measurable in terms of increased visitor travel to Los Angeles.

There are "indicators" of marketing effectiveness which definitely show a positive trend in visitor volume. The number of visitors and their per capita expenditures, hotel occupancy rates and the number of mail inquiries to the Bureau for Los Angeles travel information have all risen dramatically over the last several years. (See Exhibit 2). The relative impact of Bureau marketing on these indicators, however, cannot be isolated from important economic factors such as the U.S. dollar's decline on international money markets which has made travel to the United States a bargain attraction for foreign visitors.

Officers of the Bureau were interviewed during the audit regarding their own basis for evaluating visitor marketing programs. They rely substantially on the judgement of staff in whom they have developed confidence, and on the recommendations of Bureau member representatives with marketing expertise from the private sector. Several noted that private sector marketing expenditures are normally set as a "rule of thumb" percentage of total operating costs in the absence of direct evaluative criteria. The relative marketing effort of competitors is also given serious attention.

In reviewing the activities of other visitor bureaus nationwide, we have found that advertising and sales travel are common marketing strategies. Representatives from major cities in Texas, Illinois and New York, for instance, will follow Los Angeles with sales missions to the Orient this year. Last year

Chicago sent a sales delegation to Europe for two weeks, noting afterward that "response was very enthusiastic and the Bureau hopes to continue to maintain a visible presence in Europe for the next several years." Anaheim recently had sales staff traveling in Mexico and Australia/New Zealand. The travel trade publications carry advertising for most major cities, financed by local visitor bureaus.

The visitor information center on the first sub-level of the Arco Plaza is located in close proximity to the main office of the Bureau. The center provides an excellent range of information concerning area attractions and special events. It appears, however, to be a somewhat obscure location, and not ideally situated with respect to the mainstream of visitor traffic. Visitors who avail themselves of the services of this center would not normally happen along, but rather would be specifically searching for its location. This is perhaps acceptable to the more sophisticated and experienced traveler who will seek out such a center, but it does not appear to be fully responsive to the needs of most travelers.

Management of the Bureau should strongly consider either relocating the existing center or opening a new center at ground level in an area heavily traveled by visitors. New developments underway and planned in the Bunker Hill area seem to offer excellent potential for a visitor center location. (See Recommendation No. 2). We are apprised by Bureau management that the generality of this need is currently under consideration. It is the position of the Bureau that a single downtown location cannot meet the long term need for visitor information, and the eventual aim is to have several centers in key areas.

The Bureau's planning and implementation of visitor marketing programs is well organized, guided by sound research and enhanced by input from marketing professionals representing the Bureau membership. Sales travel and advertising have been major factors in the Bureau's expanded visitor marketing program made possible by increased funding from the City over the last two years. Based upon our review of activities, comparisons with other visitor bureaus nationwide and the positive evaluation by members of the Bureau's governing body, we consider that expenditures in this area have been well justified in the City's behalf.

3b. Convention Marketing

The Convention Marketing Division promotes Los Angeles as a destination for convention travel. The Division has a staff of fifteen (15) and a direct budget for FY 1980-81 of \$850,110 for Marketing and \$98,000 for Services.

Objective

The Division has the objective of acting as a catalyst to bring large conventions and/or trade shows to Los Angeles. The highest priority is conventions requiring 3,000 or more hotel rooms. Generally speaking, these would be conventions using two or more hotels and the Convention Center. Conventions of a smaller nature can usually be accommodated by one or at most two hotels and would not require the services of the Bureau. In those cases the individual hotels usually handle all arrangements for the convention. The Bureau's major emphasis is on big shows. They are striving for an 80 percent occupancy rate for Los Angeles hotels and to reach that goal requires that weekends, holidays and the summer months receive greater utilization. The peak convention months nationwide are October, November, January, February, March and May. The Convention Center and the local hotels are achieving their highest utilization during those periods. The challenge to the Convention Center, the Bureau, and the hotels is to increase utilization during the convention "off season".

Budget

The Budget for 1980-81 has increased by \$328,140 or 53 percent over 1979-80. Major increases include: inflation, reallocation of expenses from other Bureau accounts, a "sales blitz" to Chicago and New York, a new exhibit to be used at various trade shows, the production of new advertisement, photos as well as a new audio-visual promotional film, and costs to host certain events during the Joint Conference on Medical Conventions (JCMC) to be held in Los Angeles in January 1981. A total of \$115,000 for advertising is also shown as a new item for this Division. However, this item had been included in the advertising and promotion budget in past years.

Personnel

The Division consists of three areas under the supervision of the Vice President of Convention Marketing. The local sales staff, the Eastern sales staff, and the convention services staff. The local sales staff consists of three sales managers, one account executive, and five administrative/clerical personnel. The Eastern sales staff in Washington D.C. consists of the Eastern sales manager and an assistant. The convention services staff consists of the Convention Sales Manager, the Convention Services Coordinator and one Housing Assistant. In addition, the services staff is augmented by up to 80 part-time employees to provide convention registration assistance. The bulk of the costs for registration personnel are paid by the individual conventions.

Sales Effort

The convention sales effort has evolved in the last 10 years from a direct effort by means of traveling to other areas and making "cold" sales calls to a strategy which calls for Bureau personnel to attend 8 or 9 major convention association trade shows throughout the country each year. At these shows Bureau personnel are exposed to more convention planners than would be possible through direct sales calls. The Bureau believes this is a much more cost effective method of direct sales promotion to large groups of convention and trade show planners.

Local Promotion

Local promotion includes hosting association executives as a follow-up to contacts made on nationwide trips. Arrangements are made to familiarize these executives with amenities available in Los Angeles. These include hotel accommodations, convention center facilities, local transportation facilities, and tourist attractions.

In addition, the Bureau has budgeted \$45,000 to host various events during the Joint Conference on Medical Conventions (JCMC) to be held in Los Angeles in January, 1981. This group consists of 600 medical association executives and 150 health care company exhibitors. Potentially, each of these 750 executives and exhibitors could hold conventions or trade shows for their own associations or companies in Los Angeles. Therefore, due to the great potential for future business this group will be given special consideration while in Los Angeles.

Venue Review

Each year the Bureau invites 8-10 association executives to Los Angeles as guests of the Bureau. The executives must represent an organization which holds annual conventions requiring 3000 or more hotel rooms and which has not held an event in Los Angeles in the last 10 years. The FY 1980-81 Budget contains \$17,250 for this purpose. Bureau officials indicate they have achieved a 50 percent success rate for future bookings attributable to this promotion.

Evaluation of Convention Marketing Division

As with Visitor Marketing, an evaluation of this Division is highly subjective. The major activities of the Division include personal contact with association executives through attendance at major trade shows nationwide, media advertising and local promotion.

Members of the Board of Directors indicate that analysis of these activities is difficult, but they do look at total convention attendance as a general guide. In addition, they evaluate the Division through personal contact with the sales force. Exhibit 3 indicates that total convention attendance has almost tripled since the Convention Center opened. This is the most definitive data available, and even this can be skewed by other factors, such as sales efforts of the Convention Center staff, the hotel sales staffs and a general increase in the number of businesses in this area. A Convention Marketing Committee which includes representation from all facets of the convention industry meets monthly to plan programs and evaluate all sales efforts.

We have found the sales force of this Division to be competent, hardworking and highly enthusiastic about their work, the Bureau and Los Angeles. Media campaigns are well developed, professional in quality and to some degree coordinated with efforts of the Convention Center. The east coast office in Washington D.C., opened in 1979, gives the City greater exposure on a daily basis to a large number of associations headquartered in the nation's capital.

During the course of this audit, we encountered some indications of lack of coordination and cooperation between the Bureau and the marketing staff of the Convention Center. This problem results from attitudes and actions of both staffs, and must be resolved so that Los Angeles can present a united and coordinated sales effort. This subject is discussed further in this report under the headings Trust Fund and City Agreement and Convention and Exhibition Center Booking Policy.

3c. Membership

The Membership Division sells new memberships and services existing members of the Greater Los Angeles Visitors and Convention Bureau. There are approximately 685 private members of the Bureau, and in 1980-81 it is estimated that they will pay \$425,000 in membership dues.

Personnel

The Division has a staff of five and currently four positions are filled. The Division is supervised by a Membership Vice President. The Membership Services Manager devotes approximately 75 percent of her time to servicing existing accounts to ensure their continued support. The remaining 25 percent of her time is directed to new membership sales and approximately 14 percent of her salary is made up of commissions on new sales. The two area managers devote 80-90 percent of their time to new membership sales. The remaining 10-20 percent of their time is spent servicing existing accounts. Approximately 50 percent of their salary is comprised of commissions on new sales.

Budget

The Division has a direct budget for FY 1980-81 of \$150,700. Of this amount \$22,200 is estimated to be paid out in commissions. The Mayor and City Council approved an amendment to the 1979-80 City agreement to permit the expenditure of City funds for membership costs, with the exception of the commissions. It is anticipated that the new agreement will contain a similar provision.

Merger of Organizations

As previously described, in the 1977-78 fiscal year the Los Angeles Convention Bureau and the Southern California Visitors Council merged operations to form the Greater Los Angeles Visitors and Convention Bureau. As a result of this merger, membership has declined from a high of 986 in FY 77-78 to 685 in FY 79-80. A reduction was anticipated for two reasons. First, some organizations had memberships in both of the old

groups. Second, some members of the old Southern California Visitors Council were located outside of the Los Angeles area, and dropped membership due to the name change and the shifting of emphasis to the greater Los Angeles area.

Publications

Certain publications such as the Visitors and Convention Bureau Guide have been prepared in the past by outside organizations. The Membership Division has taken the responsibility for printing this booklet as well as selling the advertising in the Guide. In the future, advertising revenue should meet or exceed printing costs and the booklet will be more timely and accurate. In addition, separate guides for hotels, restaurants, and shopping will be consolidated into one all-purpose visitor facilities guide.

Membership Services

The Bureau has a long range goal of \$1 million in direct membership dues. To that end the Membership Division has increased the minimum annual dues from \$150 to \$250. The present membership dues structure ranges from the minimum \$250 to a high of \$16,000. The Division is in the process of preparing new and improved membership rate schedules to more accurately gauge size, location, and type of service. The existing schedules have not been updated for many years.

In addition to the direct revenues to the Bureau, private members provide substantial non-cash services to the Bureau for Visitor and Convention Marketing. These services include such items as free rooms, meals, and transportation to tour brokers, travel agents and convention executives in order to encourage future business in the City. These contributions are discussed in greater detail in another section of this report.

Evaluation of Membership Division

The Membership Division has dramatically changed its composition in the last two years. Prior to the merger of organizations the Convention Bureau had one sales/clerical position and the Visitors Council had two totally commissioned sales positions. Currently, the Division consists of a Vice President, a Membership Service Manager, two Area Sales Managers, and one administrative assistant.

When the merger took place it was correctly assumed that some existing members would not renew their annual membership.

This was due in part to the name change and in part to the focusing of impact on the greater Los Angeles area.

Under the leadership of a new Vice President this Division has demonstrated expertise in securing new accounts as well as retaining existing accounts. Heretofore, the Bureau has lost approximately \$30,000 annually from non-renewal of members. This means that \$30,000 in new members must be added each year just to maintain the status quo from the private sector. The Division has added a Service Manager and has changed the compensation package for the sales force to include a 50-50 mix between salaries and commissions to ensure greater service to existing accounts. This should minimize non-renewals. In addition, the Sales force is expected to spend from 10-20 percent of their time servicing existing accounts.

The Division has an eventual goal of \$1 million in private sector income. This goal should be encouraged to not only increase the financial share from the private sector but also to strengthen and broaden the visitor and convention service base. This will enhance the involvement and interest of the members and will advance the common objective of presenting Los Angeles as a primary site for tourism and conventions.

3d. Finance Division

The Finance Vice President manages Bureau funds and maintains a system of accounting and budgetary controls. He reports monthly to the Executive Committee regarding Bureau expenditures and revenue. He assures compliance with reporting requirements pertaining to the Bureau's non-profit status and its funding agreement with the City.

The Division seems well managed, with an ongoing effort to improve financial reporting through the automation of accounting records. The Vice President's present concern is with aspects of the City's funding agreement which have caused some problems for the Bureau, as discussed elsewhere in this report.

City funding for the Bureau is considered by the Council Finance and Revenue Committee as an item in the annual budget of the Convention Center (Municipal Auditorium Department). The Committee should have available to it the proposed Bureau program of expenditures along with evaluative comments from the General Manager, Municipal Auditorium Department as the City's administrator for the funding contract. Unfortunately, the Bureau's 1980-81 budget was not processed in time for Committee review. The Bureau should adjust its budget preparation schedule as needed to assure that in the future a fully documented program of revenues and expenditures is available for Finance and Revenue Committee consideration as part of the City budget review process. (See Recommendation No. 3). Bureau management has stated a willingness to comply with the City's budget submission requirements.

4. Performance Evaluation Criteria

As indicated elsewhere in this report, we consider the Bureau staff to be professional and enthusiastic. Yet we have no measurable data by which the specific results of their marketing efforts can be judged. Positive trends such as the increased number of tourists and convention bookings in Los Angeles are only "indicators" of marketing success which are affected by other, independent factors.

We recognize the difficulty of formulating performance evaluation criteria for media advertising and direct sales activity, the results of which are frequently protracted and attributed to a variety of causes. Programs without measurable results however, have traditionally been subject to continuing scrutiny and budget cuts when resources are scarce.

Bureau Directors are aware of the need for better program performance measures, and should assign staff to suggest possible criteria for meaningful evaluation by the Mayor and Council. (See Recommendation No. 4).

5. Comparative Data

As part of the review we compared certain aspects of the Greater Los Angeles Visitors and Convention Bureau with selected bureaus in other U.S. cities. With the assistance of the International Association of Convention and Visitors Bureaus, we were able to compare total budgets, occupancy tax receipts, membership receipts, and key personnel as of mid-1979. This data is presented in Table 1. Due to the highly competitive nature of the activity we were unable to obtain specific information regarding advertising budgets, or overall sales effort.

Of the 12 bureaus shown in the Table, Los Angeles ranks sixth in total budget and seventh in membership receipts. In terms of the total tax a guest pays for a room, Los Angeles ranks sixth at 7.5%. Four cities charge 8% and New York charges 8% + \$1.00.

Excluding Las Vegas, Reno and Honolulu with budgets of \$13.8 million, \$5 million, and \$3 million respectively, Los Angeles ranks with three other cities with budgets of approximately \$2 million. The budgets for Las Vegas, Reno and Honolulu are substantially higher than any other bureaus compared. These cities are heavily dependent on tourism and convention business to support their economies. In addition, the bureau in Honolulu serves the entire state of Hawaii, whereas most bureaus serve only cities or regions.

Los Angeles ranks in the second tier in total budget. However, in terms of "key personnel" Los Angeles compares favorably. Of those bureaus that reported "key personnel" the range was from 5 to 19, with the majority ranging from 16 to 19. At the time of this survey Los Angeles reported 16 "key personnel".

Since the consolidation of the old Southern California Visitors Council and the Los Angeles Convention Bureau in 1977-78 the Los Angeles Bureau has moved from approximately 26th in total budget nationwide to approximately 6th overall.

With the substantial increases in Transient Occupancy Tax receipts in the last three years and the increased emphasis on membership revenue it appears that the Bureau will maintain if not improve its funding position in relation to other bureaus nationwide.

Table 1
Comparison of Convention/Visitor Bureaus
Mid-1980

| Summer 1980 | Los Angeles | Anaheim | Chicago | Las Vegas | Honolulu | Houston | Miami Beach | New York | Reno | San Diego | San Francisco | Wash. D.C. |
|--|-------------|-----------|-----------|------------|-----------|-----------|-------------|-----------|-----------|-----------|------------------|------------|
| Total Budget | \$3,038,000 | 921,000 | 2,010,000 | 17,561,000 | 3,077,000 | 2,464,000 | 425,000 | 2,100,000 | 6,500,000 | 2,154,000 | 1,500,000 | 618,000 |
| Funds Recd. from Room Tax | 2,400,000 | 671,000 | 1,000,000 | 15,213,000 | -- | 1,705,000 | 425,000 | -- | 6,500,000 | 1,519,000 | 1,000,000 | -- |
| Other Sources | 213,000 | -- | 462,000 | 2,348,000 | 2,277,000 | 75,000 | -- | 1,000,000 | -- | 310,000 | 25,000 | 118,000 |
| Funds from Mem- bership Dues | 425,000 | 250,000 | 548,000 | -- | 800,000 | 684,000 | -- | 1,100,000 | -- | 325,000 | 475,000 | 500,000 |
| Total Tax Guest Pays for Room | 7.5% | 6% | 9% | 6% | 4% | 7% | 6% | 8%+\$1 | 6% | 8% | 8% | 8% |
| Room Tax used for Convention Center: Debt/ Construction | -- | 1,700,000 | -- | 4,224,000 | -- | -- | -- | -- | -- | 1,560,000 | 11,580,000 | 2,300,000 |
| Operation | -- | -- | -- | 3,368,000 | -- | -- | -- | -- | -- | -- | -- | -- |
| Key Personnel* | 16 | 13 | 18 | 19 | 19 | 17 | 5 | NA | NA | 16 | 18 | NA |

*Note: No definition of "Key personnel" is available from the International Association of Visitors and Convention Bureaus (IAVCB). The Audit Team assumption is that the term applies to positions directly involved in the administration and sales efforts.

6. Private Sector Contributions in Excess of Membership Fees

Private sector participation in Bureau programs goes considerably beyond the annual dues paid by each member. The airlines, local hotels, restaurants, attractions and transportation companies make substantial non-cash contributions to Bureau sponsored events hosting key individuals responsible for bringing large groups of visitors into the City. Travel writers, tour promoters and convention planners are frequently invited to Los Angeles by the Bureau for site inspection tours to acquaint them with available facilities and "give them the opportunity to experience first-hand the unique flavor of our City". Local entertainment, meals and hotel accommodations during their stay are provided by the private sector without charge or at substantial discount.

Each year the Bureau invites selected meeting planners to visit and evaluate Los Angeles as a potential future convention site. In 1979-80 \$15,000 was budgeted for the event, which was augmented by \$25,000 in related services provided by more than twenty local participating companies. The Joint Conference on Medical Conventions (JCMC), an important group of meeting planners, will convene in Los Angeles in 1981. The Bureau has budgeted \$45,000 to host portions of this event, and the private sector has agreed to provide an additional \$180,000 in services.

The Bureau staff estimates that during 1979-80 private sector non-cash contributions valued at \$836,000 were provided to augment \$191,000 budgeted by the Bureau for various marketing activities. Although not reflected in the Bureau's formal budget, private sector support beyond the payment of annual dues is clearly significant and indicative of the Bureau as a cooperative marketing organization.

7. Travel and Hosting Expense

Bureau expenditures for travel and hosting, when paid from City funds, are governed by provisions of the Administrative Code which apply to all City departments. Guidelines set forth in the Code are incorporated as part of the City's agreement with the Bureau, and expenses not in conformance are disallowed for payment from City funds. Expenditures in excess of \$25 must be documented by receipts.

Itemized expense reports are submitted through channels for final approval by the Bureau's Executive Vice President. Each is audited by the Finance Department for propriety and appropriate documentation. Reimbursements are made as part of the regular payroll.

Expense statements covering the period July 1979 through March 1980 were sampled for conformance with Bureau and City policy. Documentation of expenses were found to be adequate. Receipts were identified by name and organization. Travel related expenses such as laundry, gratuities, telephone calls and transportation were identified. Minor discrepancies were resolved with the Bureau's Executive Vice President.

8. G.L.A.V.C.B. CONTRACTS

The Bureau contracts for professional advertising, public relations and research services in support of its marketing programs. Agencies are selected through a review process involving Bureau staff and member representatives with expertise in the specialty areas. A description of major Bureau contracts follows:

HAUG ASSOCIATES, INC.

Services: Research

Term: 1 year (1979)

Consideration: \$25,000 - 10% contingency based on
interview completion rate

Description:

1. Personal interviews and mailed questionnaires regarding past and future travel to Los Angeles/Southern California area. Information collected nationally on visitors, duration of stay, mode of transportation, accommodations, attractions and other points of interest visited, and personal demographics.
2. Analysis of visitor volume by seasons, competing areas for visitor travel, use of travel agents, and existing/potential problems encountered by tourists while in the L.A./Southern California area.

TOURMARK LTD.

Services: Research

Term: 1 year (1980) - Execution of agreement yet to be completed.

Consideration: \$31,700

Description:

1. Quarterly monitoring of travel patterns and plans of U.S. household members.
2. In-depth past and future visitors survey, including travel activities, likes/dislikes and personal demographics.

3. Economic impact study using detailed expense diaries maintained by selected visitors.
4. Study of international travelers visiting the L.A./Southern California area, using bilingual interviewers.

AYER JORGENSEN MACDONALD

Services: Advertising

Term: 3 years (1977-80) (informal, subject to termination on 90 days written notice)

The Bureau is now going through agency review procedures, to complete a new agreement early in FY 80-81.

Consideration: Cost plus commission basis, to average an estimated \$6,000/month.

Description:

Develop advertising programs for major convention and travel magazines, and other publications to increase and maintain the awareness of Los Angeles as an attractive City. Prepare ad campaigns for maximum market impact at least cost to reach meeting and convention planners, travel agents/wholesalers and potential visitors.

FOUCH-ROSEBORO CORPORATION

Services: Public Relations

Term: 1 year (FY 78-79), extended for 1 year (FY 79-80), may be cancelled on 60 days written notice.

Consideration: FY 78-79 retainer \$20,000
FY 79-80 retainer \$25,650

Note: In addition to the retainer, Bureau expenses for public relations program managed by Fouch-Roseboro include:

| | 1978-79 | 1979-80 |
|------------------------|-----------------|-----------------|
| Black Advertising | <u>\$35,000</u> | <u>\$39,350</u> |
| Local Public Awareness | 10,000 | 14,000 |
| Retainer | <u>20,000</u> | <u>25,650</u> |
| | <u>\$65,000</u> | <u>\$79,000</u> |

An item of \$83,000 is included in the Bureau's proposed 1980-81 budget to continue the contract with Fouch-Roseboro.

Description:

1. Major advertising campaign to motivate black travelers to visit Los Angeles. Develop radio network and news release promotional efforts directed at the black community in major metropolitan areas. Coordinate travel and promotional appearances by Altovise Davis to further the image of L.A. as a place to visit.
2. Plan and implement a campaign to increase local awareness of the GLAVCB and the economic importance of the convention and visitor industry.

Printing Contracts

The Bureau contracts for 8-10 printing jobs on the average each year. A bid specification sheet and invitation to bid is sent to Bureau members in the printing business. Recently a minority printing firm, not a Bureau member, has been invited to bid on jobs. The Bureau plans to extend its solicitation to qualified minority firms for bids.

Bids are evaluated on the basis of lowest cost, but quality of printing performance is also considered. Printing awards for FY 79-80 through April 3, 1980 are summarized on Exhibit 4.

Miscellaneous

The expiration dates and monthly cost of agreements for building custodial service, equipment rentals and miscellaneous are also shown in Exhibit 4.

ASIA TRAVEL MISSION

| | | |
|-----------|----------|------------------------|
| Thursday | April 03 | Los Angeles-Manila |
| Saturday | April 05 | Manila |
| Sunday | April 06 | Manila |
| Monday | April 07 | Manila reception |
| Thursday | April 10 | Singapore reception |
| Friday | April 11 | Hong Kong reception |
| Saturday | April 12 | Hong Kong |
| Sunday | April 13 | Hong Kong-Tokyo |
| Monday | April 14 | Tokyo |
| Tuesday | April 15 | Tokyo reception |
| Wednesday | April 16 | Tokyo-Osaka |
| Thursday | April 17 | Osaka reception |
| Friday | April 18 | Osaka |
| Saturday | April 19 | Osaka-Los Angeles |

TOKYO/OSAKA - L.A. MISSION FORMAT

TOKYO, April 15, 1980
OSAKA, April 17, 1980

Imperial Hotel
Plaza Hotel

2:00 - 3:00 PM

Seminar:

The Key Japanese travel agents will view a slide seminar and film presentation on Los Angeles.

3:00 - 4:00 PM

Mini-Trade Fair:

The agents will meet with Los Angeles hotel, attractions, tour company, Airport and Bureau representatives to discuss their L.A. tour programs. Refreshments will be served at this time.

5:00 - 6:00 PM

Press Conference:

A press conference will be held for the Tokyo media; for the purpose of discussing on new tourism developments in Los Angeles.

6:00 - 8:00 PM

Reception and Trade Fair:

The top Japanese travel agency managers and tour operators will view the Los Angeles film and participate in the mini-trade fair. Food and drinks will be served.

MANILA, HONG KONG, SINGAPORE ASIA MISSION FORMAT

MANILA, April 7, 1980 Manila Hotel
SINGAPORE, April 9, 1980 Mandarin Hotel
HONG KONG, April 11, 1980 Peninsula Hotel

12:00 Noon Prior to luncheon, the key travel agents and tour operators will participate in the mini-trade fair.

12:45 - 1:30

Luncheon

1:30 - 2:00

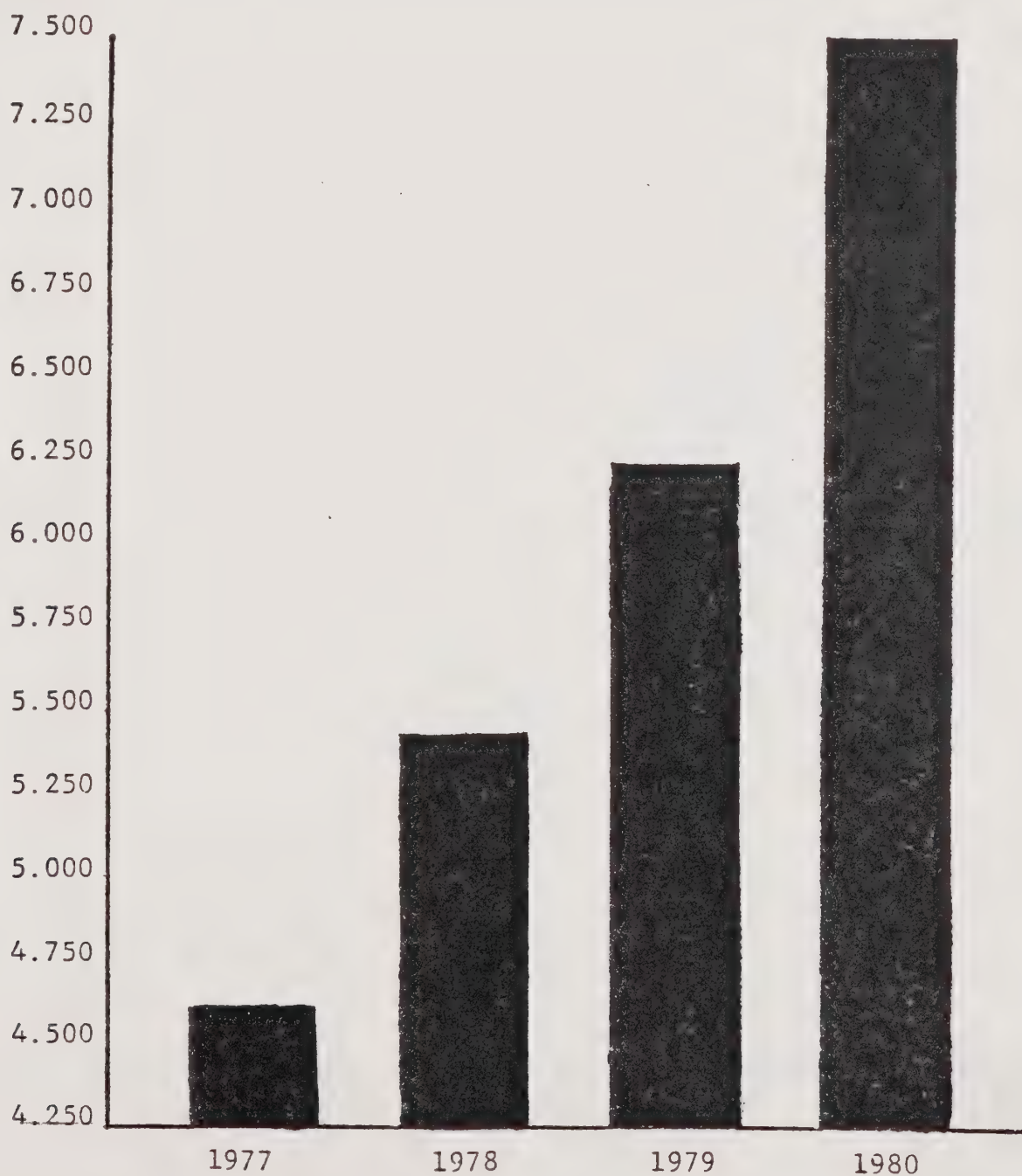
L.A. Film and Sale Presentation

2:00 - 3:00

Mini-Trade Fair

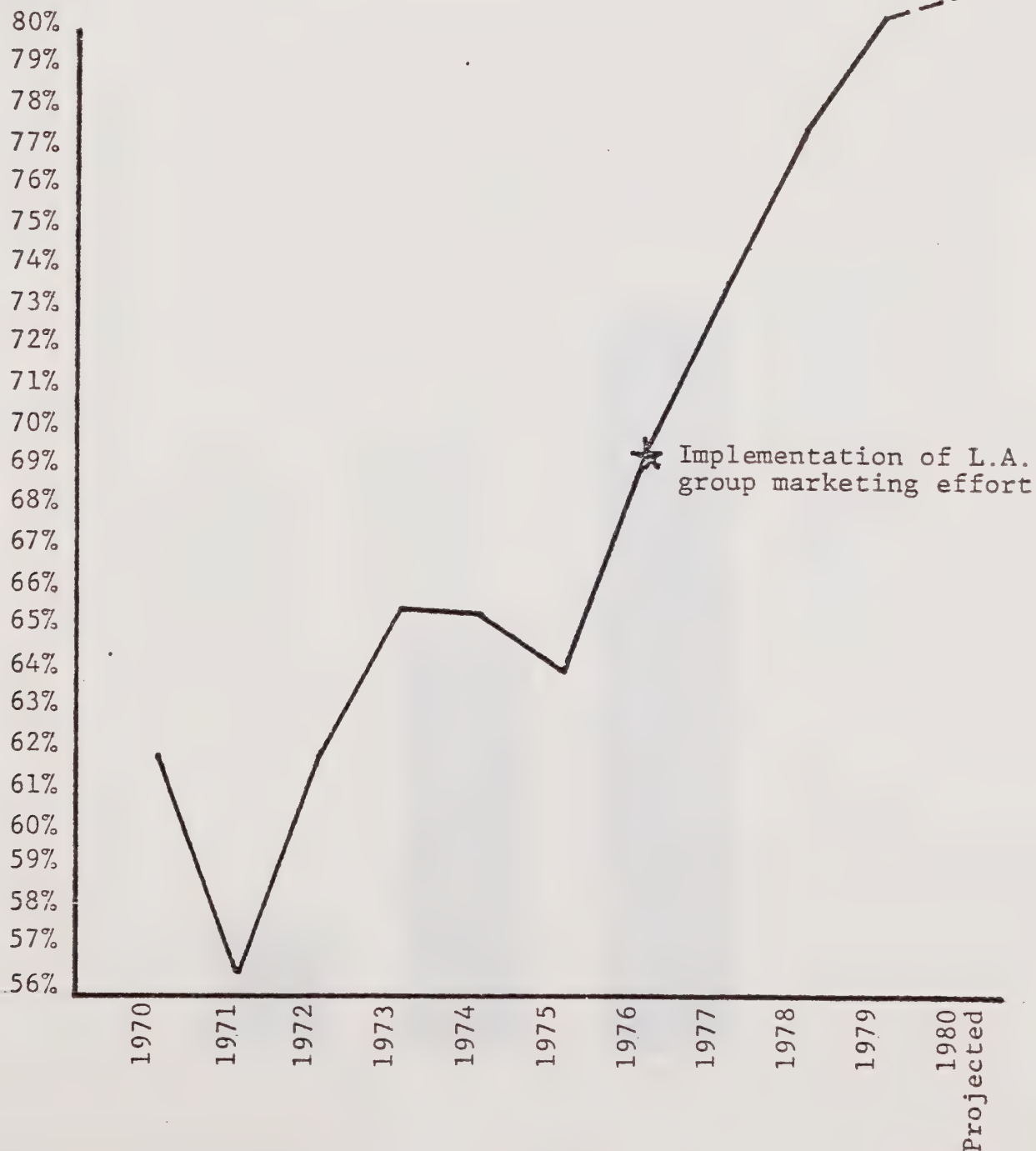
GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU

V I S I T O R M A R K E T I N G

V I S I T O R E X P E N D I T U R E S - L O S A N G E L E S1 9 7 7 - 1 9 8 0 (P R O J E C T E D)Dollars
(in billions)

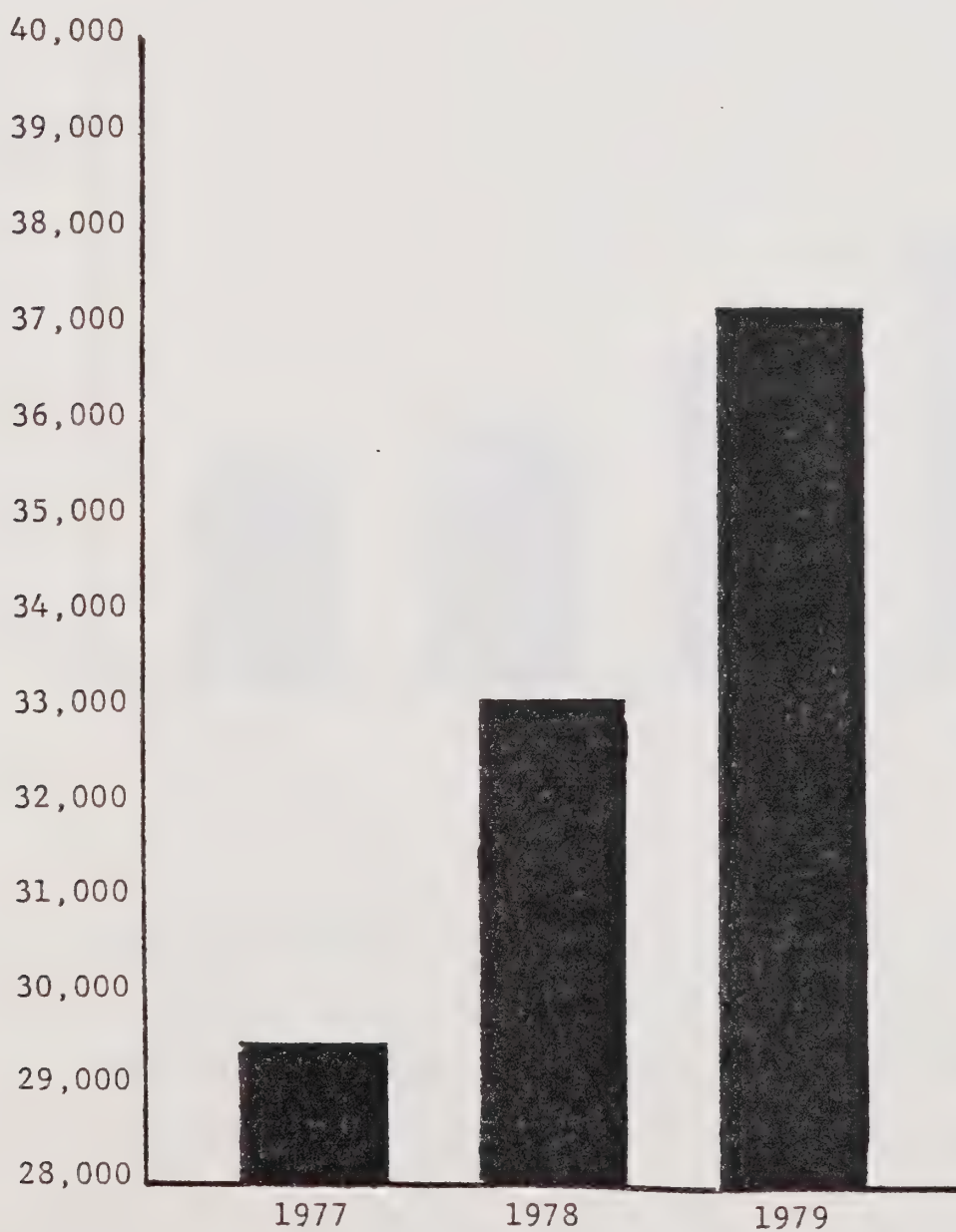
GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU

V I S I T O R M A R K E T I N G

H O T E L O C C U P A N C Y A N A L Y S I SFOR
L O S A N G E L E SOccupancy
rate:

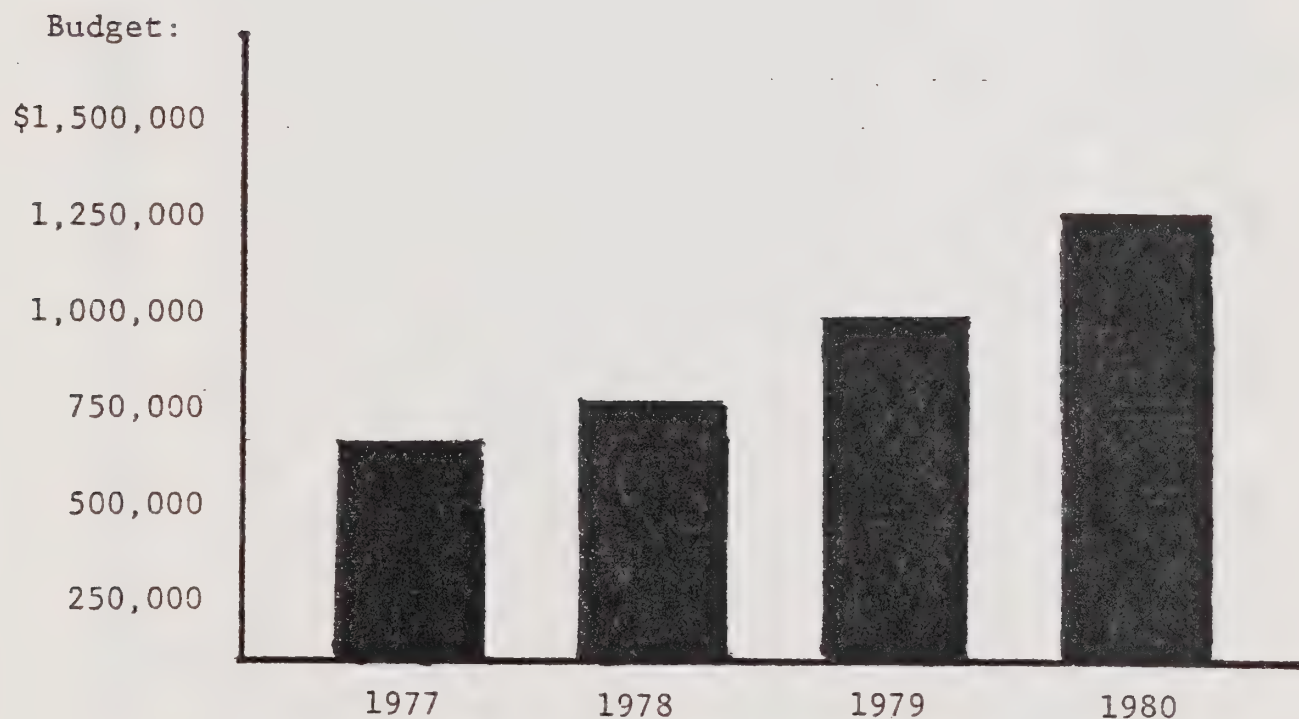
GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU

V I S I T O R M A R K E T I N G

V I S I T O R M A I L I N Q U I R I E S1 9 7 7 - 1 9 7 9Mail
Inquiries

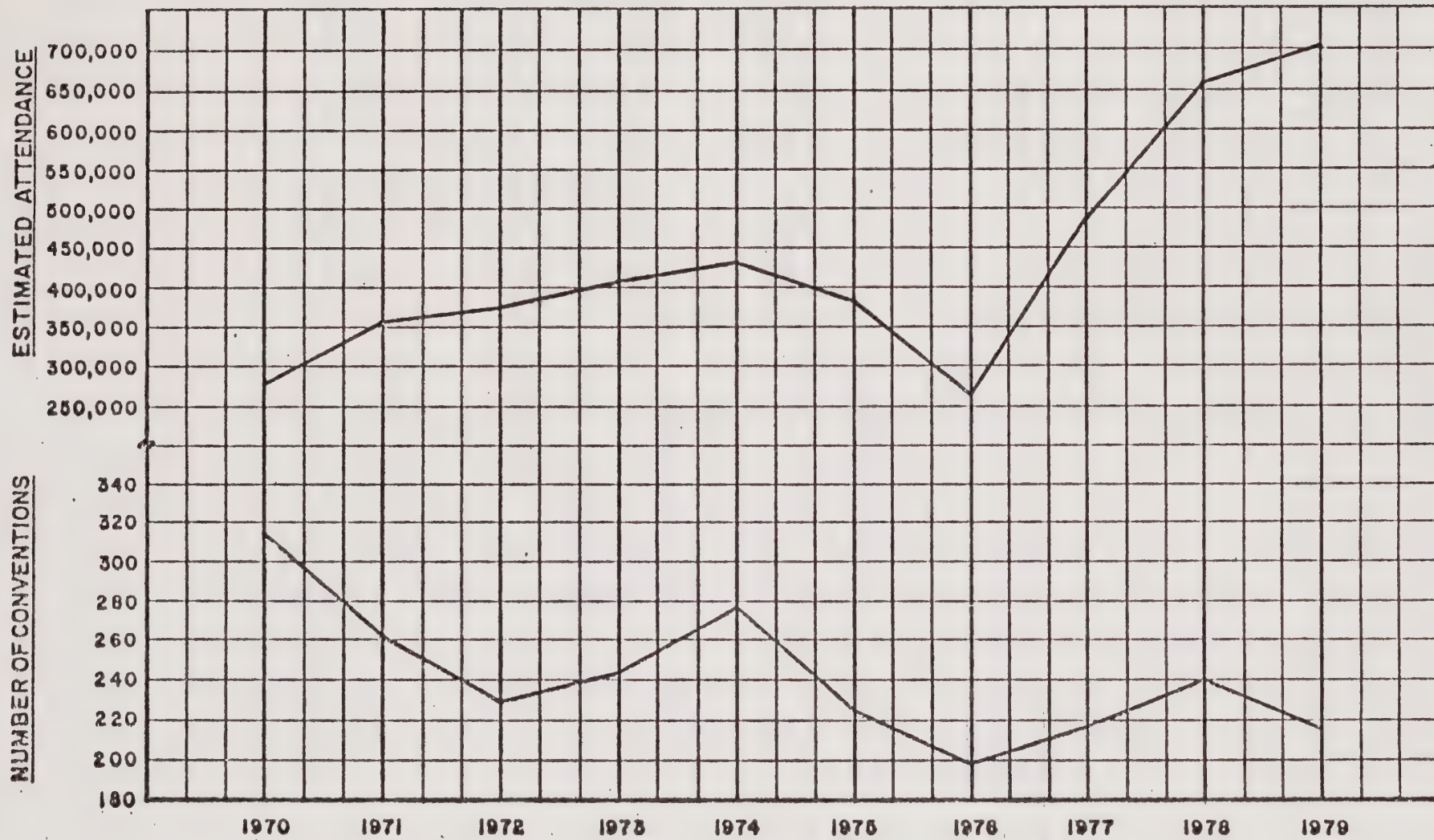
GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU

V I S I T O R M A R K E T I N G

B U D G E T A N A L Y S I S1 9 7 7 - 1 9 8 0 P R O J E C T E D

FOR EVERY ONE DOLLAR (\$1.00) INVESTED BY THE CITY
IN TOURISM PROMOTION IN 1979, VISITOR INCOME ROLLED
OVER IN OUR ECONOMY TO GENERATE \$6,054.07 PER DOLLAR
INVESTMENT.

CONVENTIONS IN LOS ANGELES (1970-1979)



SOURCE: GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU

GREATER LOS ANGELES VISITORS AND CONVENTION BUREAU
PRINTING AWARDS 4/3/80

| | | |
|---|-------|-------------|
| "Los Angeles" press kit jackets | 6/79 | |
| 5 firms invited to bid | | |
| 4 firms responded | | |
| award: G & N Lithography 20,000 jackets | | \$ 6,550.80 |
| | | |
| "Southern California Visitors Guide" brochures | 6/79 | |
| 5 firms invited to bid | | |
| 4 firms responded | | |
| award: Pace Lithographers 180,000 brochures | | \$19,961.92 |
| | | |
| "Professional Services" directory | 8/79 | |
| 5 firms invited to bid | | |
| 5 firms responded | | |
| award: Medallion Graphics 2,500 directories | | \$ 2,290.66 |
| | | |
| "Los Angeles"/"Southern California" posters | 10/79 | |
| 5 firms invited to bid | | |
| 3 firms responded | | |
| award: G & N Lithography 10,000 posters | | \$ 5,830.00 |
| | | |
| "Getting Around in Los Angeles and Southern California" maps | 2/80 | |
| 7 firms invited to bid | | |
| 5 firms responded | | |
| award: Pace Lithographers 100,000 maps | | \$ 3,931.54 |
| | | |
| "Greater Los Angeles Visitors Guide" brochures | 3/80 | |
| 7 firms invited to bid | | |
| 4 firms responded | | |
| award: G & N Lithography 150,000 brochures | | \$11,062.34 |
| | | |
| "Greater Los Angeles Dining"/"Greater Los Angeles Accommodations" brochures | 3/80 | |
| 3 firms invited to bid | | |
| 3 firms responded | | |
| award: Foster-Quinn 20,000 brochures | | \$ 2,545.49 |
| | | |
| "Datelines" calendars | 4/80 | |
| 8 firms invited to bid | | |
| responses not received | | |
| award: to be named 36,000 calendars | | |

CONTRACT AGREEMENTS/LEASES RENTALS
AS OF 3/1/80

| | | Expiration Date | Amount |
|-----------------------------|------|--------------------|------------|
| <u>Custodial 1512</u> | | | |
| Bekins Building Maintenance | B-1 | Annual | \$ 242.90 |
| Bekins Building Maintenance | B-9 | Annual | 55.90 |
| Bekins Building Maintenance | B-10 | Annual | 79.86 |
| Total - Month | | | \$ 378.66 |
| Yearly | | | \$4,543.92 |

Leases & Rental 1517

| | | | |
|---|--|-----------|-----------------|
| Hooven Business Mail | | Monthly | \$ 28.35 |
| IBM Memory 100 Typewriter | | 9/12/80 | 195.04 |
| IBM Memory 100 Typewriter | | 10/35/80 | 195.04 |
| US Leasing PB Collator | | 8/10/83 | 35.82 |
| US Leasing 1861 Folder/3307 | | | |
| Insert/3771 Scale | | 3/10/83 | 122.57 |
| US Leasing 0485 PB Modular Furniture | | 3/10/83 | 131.77 |
| Pitney Bowes Service Agreement on 4506 Copier | | Annual | 28.33 |
| Pitney Bowes 4500 Copier | | 12/10/83 | 136.41 |
| Pitney Bowes Service Agreement on 4500 Copier | | Annual | 60.00 |
| Pitney Bowes 0485 Modular Furniture | | 10/17/81 | 48.74 |
| Pitney Bowes 5600 Mail Machine/5014 Scale | | 2/9/83 | 171.00 |
| Pitney Bowes Service Agreement on 5600 Mail Machine | | Annual | 10.16 |
| Pitney Bowes Postage Meter | | Quarterly | 21.94 |
| Imperial Thrift - Telex ASR-32 | | 7/31/82 | 76.94 |
| IBM Series 111 Model 10 Copier/Collator | | 5/9/80 | 702.78 |
| Pitney Bowes Postage Meter RT-Y | | Quarterly | 15.00 |
| Sparklett's Purifier System | | Monthly | 22.95 |
| \$20,000/New Leases | | Estimate | <u>1,400.00</u> |
| | | | \$ 3,402.84 |

Miscellaneous

| | | |
|--|---------|---------|
| Atlantic Richfield Plaza-Valometer | Annual | \$ 5.00 |
| Atlantic Richfield Plaza Parking (13C50) | Monthly | 650.00 |
| Atlantic Richfield Plaza Furniture on Loan | | - - |

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